



Airport Operations Board Meeting
Thursday August 9, 2012
Kelso City Hall Council Chambers
203 S. Pacific Kelso WA 98626

Those present were as follows:

Airport Board:

Dennis Weber, City of Longview
George Raiter, Cowlitz County
Darold Dietz, Port of Longview
Norm Kreibel, Member at Large
David Futcher, City of Kelso

Staff:

Dan Johnson, Airport Operations Manager
Becky Hill, Department Assistant
David Sypher, Public Works Director
Janean Parker, City Attorney
Don Bell, Assistant Airport Director

- 1. Call to Order:** Meeting was called to order at 3:18 pm by Chairman George Raiter
- 2. Pledge of Allegiance-**led by Chairman Raiter
- 3. Roll Call-**All members of Operating Board are present except Board Member Futcher-excused absence. (August 9th)
- 4. Minutes-**Motion to approve minutes from July 12, 2012 by Board Member Krehbiel, second by Board Member Dietz. Vote called. Motion passed.
- 5. Budget Review-** Received proposed budgets for budget years 2013 and 2014.

Chairman Raiter has comment about integration discussion, feels that Public Works Director, David Sypher can answer as we do not have an accounting person here. Somewhere in all of these scenarios, the City of Kelso has a significant contribution to the airport. It may not be cash allocation, but is significant and does not show up in the budget document that we have here.

Public Works Director Sypher-What has happened in the past, the allocations that you would find on the expense side, there are three items that are listed-Professional Services, Interdepartmental Services and Inter-Fund Services. These three were also being provided by the City of Kelso, in addition to the Public Works Director's salary, was usually not charged to the airport and have been spending a day a week during this transition period, and that as well is not being charged. Prior to that, Jerry Sorrell could tell you about a little project that when we moved the weather station and how it turned into a full time job for two years. So those costs as well, have not been passed on in the past.

Chairman Raiter-Wants to point out that our contingency is that this is a 4-way partnership. We know that the City of Kelso is a major partner, should be some way to explain and show that data as these are contributions, even if they are in-kind and not cash directly on the budget that footnotes somewhere, maybe perhaps an accounting agreement for directly paying the city for accounting services.

Public Works Director Sypher-When we had our meeting with Rob Parrish, he had recommended the contract method. Those contracts were emailed to you as sample contracts. This budget that is brought to you today represents the transfer of accounting by way of contract, the Attorney services by way of contract and a salaried position for the Airport Manager, so you would have two FTE's (full-time employees). Mr. Parrish stated that when they (Pullman-Moscow) started out, they did not have administrative support and he was suggesting that we start out the same way, so administrative support is not listed here. Your new Airport Manager would be doing his own administrative support at least in the beginning unless it was proved to be otherwise beneficial.

Board Member Weber-Did note that this year under the current budget, there was an FAA Improvement Grant of \$850,000, are we still on line to get that this year?

Public Works Director Sypher-That grant accumulates. David explained how the AIP works. The actual number is right at \$154,000 a year. It is earmarked for us, it is ours to accumulate up to 4 years and then if you do not spend it, it will go away. It is accumulating right now and the expense that qualifies now is the west side hangar development project that we are working on. We have spent down everything and have not lost anything and will continue to save for projects and spend down for different projects.

Board Member Weber-Ask if there needed to be the same or a larger amount for next year's budget? He understood Mr. Sypher as stating we are ok.

Public Works Director Sypher-To back up just a bit- In December and again in March, we showed you what we call the ACIP (Airport Capital Improvement Program) that is now a coordinated effort with the State and the FAA. We are required to submit an updated CIP which we will do every year and the Board will recommend we start off the year before with the completed Master Plan that we had and just pulled it straight out of the Master Plan. It has since been revised based on developments that have occurred over time. At one point we got great news and they allocated additional funds for is for example for an Obstruction Survey. As we got further down the line, they pulled the money from us. Things change all the time. What we have done is take what we know, that is represented in this budget. If you look at Airport Improvements and for 2013, the total amount is scheduled for \$1,330,820 and that has been estimated by our consultant and in 2014, \$1,060,600 and that will be for the Runway Extension, Wetland Mitigation in 2013 and Obstruction Survey, returns if all goes well in 2014.

Board Member Weber-Just want to make sure that the 2013 budget is an adequate amount. If we are not getting the \$850,000 done this year, don't we have to make sure there is a provision for it for next year?

Public Works Director Sypher-Directed the Board at this time to the Revenue page of the budget and explained the anticipated and the sources of the monies. Some of these items are projected wishful thinking, but what this allows for is in 2013 is from DOT-304,000. That is money that has already been allocated to the city from DOT for the Runway Extension (\$173,000 for Runway Extension, some matches for the West Side Hangar Development). There is \$260,000 that was previously given to us from Cowlitz County. We are spending some now and will have an additional \$300,000 that we will be requesting from the county for a total of \$560,000 for 2013.

Chairman Raiter-What we want to know is if there is \$850,000 on the bank right now for the improvement grant or available to use?

Public Works Director Sypher-NO! What had to happen is that we have in this budget program, for construction, we need another \$600,000 for the Runway Extension. That is if there are grants available. If there are no grants, it does not get built unfortunately.

Chairman Raiter at this point voiced his confusion with the budget.

Public Works Director Sypher-This budget is not balanced. You should have received an email stating that in 2013, we are out of balance by \$80,000 and 2014, we are out of balance \$100,000. It also assumes securing two grants that we do not have yet. One grant from the Cowlitz County Rural Development funds of \$300,000 in 2013 and one from of \$300,000 in 2013 from WSDOT. If we get both grants and we resolve the \$80,000 and \$100,000 shortfalls, then we have a balanced budget and then that money is secured with those two caveats. In the event that those grants are not awarded, we will not be building the extension on the runway. It will be all designed and the mitigation will be all done and then it will be ready to go once there is funding.

Chairman Raiter-Saw the notes on the bottom about the difference in the forecast and the expenditures/revenue. Was not clear but now have a better idea. It shows if we get the money that is how it will be spent.

Public Works Director Sypher-We have to budget for any grants that we plan to receive. That is why they are on the budget, but they are not guaranteed, but the fact is if you don't get the grants, you don't do the project.

Chairman Raiter-Is this an advisory to us or are you looking for us to officially adopt? PW Director Sypher stated that what we would like to do today is workshop how we want to balance the \$80,000 in 2013 and the \$100,000 in 2014. These are not capital deficits, they are operational deficits.

Chairman Raiter-Ask if the city adopted annually or bi-annually? PW Director Sypher replied that we are bi-annual. Unfortunately the Interlocal Agreement provides for just an annual. That is one of the reasons the City Attorney is here. She will address how to handle this.

City Attorney Parker: In the original draft, we had it listed as a bi-annual budget. The Port expressed some concerns because they are on an annual budget. If the City of Kelso is doing the administrative and financial functions as is possible being anticipated, then in order for it to roll into all of our (City of Kelso) finances of bookkeeping procedures and policies, it needs to be a bi-annual budget. The agreement says that the Board shall submit the budget annually. Does not see that would prohibit us from actually having the two years worth of budgets submitted as it would be more than the annual. Would like to at some point have all the Board and the individual parties concession if Kelso is going to do at some point the administrative functions that needs to happen. Addressed Mr. Dietz and advised him that she had talked to Frank Randolph to run this concern by him. From the Port's perspective on his side, he indicated that so long as we put a footnote in the budget saying it is binding as to everyone else for the two years, but as to the Port because you only have an annual budget, it will only be binding as to the one year and then we would do the mid bi-annual update. In all practical purposes, it works out to be an annual budget because you do an annual revision each year. He did not feel that would be a requirement to go back and amend the Interlocal Agreement in anyway. We can just adopt bi-annually with the understanding that as to the Port, you can only commit to that year.

Public Works Director Sypher: One more clarification-What you need to know is the grant money you receive from FAA, used to be and still is 95% grant. Now FAA has changed their money to 90%

grant. The money we receive from the County is 100% grant. The money that we are going to spend for the runway has no match requirements. The other money-the deficit between the 90% and the 100% and the 95%-100%, the state aviation division almost automatically fills the gap. For the current project that we have for the west side hangar development is 95% FAA, 2.5% DOT and 2.5% us. When we move to the runway extension project, there does not need to be any local match unless we offer some. The obstruction survey is 90% FAA. When you look at these items, it is not accurate to say there are no local matches because there really is in a small amount that is not real significant.

We do also have one other number you need to be aware of and that is we have reserves which are not listed in this form of budgeting. It is in the amount of around \$150,000, at our disposal to use. We had budgeted it the last 2 years to be spent, but did not spend them because we hired Mr. Johnson in the middle of the year instead of the 1st of the year and in the subsequent year, we have not done all the projects. We have spent some of those reserves, but it is much less than \$150,000. We spent approximately \$20,000 or \$30,000, so there is still a significant amount of reserves. When we are considering a budget, what we are trying to do is not deficit spend, we want to use that money for grant matches if needed, emergency projects if needed, do not want to utilize that for our operational budget if we can avoid it. We just wanted to let the board know that the money was there if they needed to use it. Discussion followed on the different reserves.

Chairman Raiter stated that the county has at least 8-10% reserve cash flow. He would like to see maybe the same percentage or a little less in the airport cash reserves.

Public Works Director Sypher-We offer the few things that stood out to us and there may be others that stand out to the Board. We have under consideration some contracts:

- Attorney Contract-\$20,000-Feels this board wants it set up and feels the Board will have very little attorney expenses.
 - FBO Contract-\$31,000-If we continue with how it is written.
 - Payroll and Accounting Contract-\$30,000
 - New Position-\$95,000 with benefits
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- The hangars not leased-Estimated to be a reduction in revenues of \$30,000. It shows bringing in \$96,000 and that is assuming we have the vacancies that we have today.

Chairman Raiter-Feels if the Board agrees we need a special meeting to go over the budget.

Public Works Director Sypher-Maintenance Projects-We originally had raised hangar rents and as such, the pilots had come and suggested that we up our maintenance program schedule. The schedule for budget years 2013/2014 is \$58,500 for maintenance. It may be that we need to cut back on that during the times when we are not getting the hangar revenues. Mr. Sypher gave a quick recap.

- On hangar leases-would leave the 2013 as now projected, not to optimistic in 2014 to say we will maybe get half of the ones that are vacant now filled, may want to put another \$15,000 there but that is up to the board.
- Maintenance Projects-may have to cut back on those because of no money.
- The last and obvious option is to go to our entities and request more additional contributions knowing that things are very tight right now.

City Attorney Parker-The entities need time to put together their budgets. Back to the question of timing, the Interlocal Agreement states that the Board will present a budget to their parties by August 1 of each year. The issue is the parties need time to put whatever you recommend into their budget process to be able to fund this. They must have it in their documents by October, so if the

Board delays having a budget to present, then the entities do not have time to get that going. That is the timeline you are up against. She does not foresee any of the jurisdictions coming and saying "Hey you guys didn't get the budget to us by 8/1". She believes the sooner we do it rather than later will allow them to get the budgetary process going.

Chairman Raiter-All but the City of Kelso, we all have tentative approval on the allocations and we can pass that along to our budgetary staff stating this is the number we have allocated.

Public Works Director Sypher-It was just in 2012 that we had the allocation of \$20,000 from each entity. When we hired Mr. Johnson, we moved the amount to \$40,000 each, when we decided to hire an additional Airport Manager, the budget shows \$60,000 from each entity. In the worst case scenario, if we decide to balance this budget by way of additional allocations to the entities, it would be \$85,000 each. As far as talking to your entities, you could introduce this to them as worst case scenario at this point. Discussion followed.

Board Member Weber-has questions on expenditures-the change that is reflected, feels Mr. Sypher touched on it a bit and that is the dramatic change in the acct/payroll Inter-fund Services which is line #913, where it is \$6,000, \$5,000, \$3,000 in the years leading up to 2013 and then jumped up to \$30,000, was wondering why the big jump? He thinks that Mr. Sypher stated he just stuck a figure in there.

Public Works Director Sypher- Yes, I just stuck that figure in. If you will remember the 3 line items 910, 912 and 913, if you look under the account numbers, that is the Interdepartmental Services, Professional Services and Inter-fund Services, there is some overlap in the way that money was transferred. Finance Director Butterfield is not here to explain it. If you will look at actual under Interdepartmental Services, that was just not Legal Services. I put legal in red to define it for 2013 and 2014, but in comparison to previous years, that word "legal" was not there. You will notice that went from \$20,000 to \$24,000 to \$25,000 to \$28,000 and now to \$20,000. I look at those 2 numbers together-\$20,000 and \$30,000. When you do that it is \$50,000 opposed to \$30,000 so it is more of a \$20,000 swing.

Board Member Weber-So it constitutes Kelso's extra subsidy. Chairman Raiter advised the Board that we are receiving that benefit now but are not paying for it.

Public Works Director Sypher-Feels that when the new Board is in place and running that the attorney fees will probably be in the \$10,000 range and not the \$20,000. Services for payroll and general claim processing will be around \$20,000 when it is a completed budget.

Chairman Raiter-Recalls on the Administration Services Agreement, we approved an example of Pullman charging \$60,000 for the billing type of items that the city will perform for us. We would want to have more actual and that was perhaps the reason you showed the increase.

Public Works Director Sypher-When he does budgets, he tries to be conservative. Tries to be low on revenue side and high on the expense side and as we get into the cutting phase, we can do that.

Chairman Raiter to the Board-We cannot approve a budget that is not balanced, but perhaps the Board can accept this concept and the Board can workshop between now and the next meeting. He is ok with telling the County about the allocation and we will not get a formal document until September. Works okay for the County. Both the Port of Longview and the City of Longview feel that is okay as well.

Chairman Raiter also asked that instead of saying "Rural County Grant" on that line item #336 on the revenue page, be changed to "Cowlitz County Development Grant" as that is how the County gives its money. Public Works Director stated it will be changed.

Chairman Raiter-Mr. Sypher we just acknowledged that we have the budget, we looked at and we agree with the general concepts here but we need to fine tune a little bit between now and the next meeting.

Public Works Sypher-We were hoping for two things, Worst case scenario if you could introduce the \$85,000 to your entities would be important and second were some suggested areas where we could cut. From the discussion we are going to change the Legal Services to \$10,000 and get a better estimate from the Finance Director on the accounting and clerical services.

Chairman Raiter-We still need to have some workshops and an executive session before we can make recommendations on some other areas. Chairman Raiter stated that as one Board Member, he would be happy to say that the Kelso staff has suggested we introduce a concept of \$85,000, but as a Board Member, I have not yet supported that.

A motion to continue this meeting to 8/30/2012 at 3:00 PM to discuss the budget to be held at Kelso Council Chamber by Board Member Weber, second by Board Member Dietz. Motion passed.

Board went into Executive Session at 4:03 PM

August 30, 2012

3:00 PM

Continuation of August 9, 2012 Meeting

Chairman Raiter-Called the continuation meeting back to order at 3:02 to discuss the 2013-2014 budgets and just for clarification, would like to ask our legal counsel since this is a continuation is it acceptable if we go into an executive session to discuss contract negotiations?

Attorney Parker-Yes it was listed on the agenda for the regular meeting and you can add agenda items to the regular meeting. You did go into executive session at your regular meeting and you would be able to do that as well at this time.

Chairman Raiter-With the consent of the Board, would like to add an executive session at the end of regular meeting as Board Members Weber and Futcher who have been on the negotiations team have an update for us.

Public Works Director Sypher-Sent out new email this morning with some new information for the Board to think about.

Board Member Futcher-Based on our discussions I rearranged a few things so I can better understand the information. Handed out his document as he explained the layout, noting that one thing that jumped out was the amount for diking assessment.

Public Works Director Sypher-There was a big increase 2 years ago. There is one piece of that dike that is in dispute. When they did the dike on the Coweeman, most of the ownership was transferred to the county. Ken Stone has been working on the review on that for some time now. For some reason on the Assessor's map, the City of Kelso maintains ownership of that dike and we would like to get that clarified and cleaned up, but does not think it will greatly affect the \$20,000.

Chairman Raiter-Asked about the assessment value and if it was an assignment or tax given to the property owners to maintain the dike? Not sure if the county has ownership of that as they do not have a Diking Supervisor and as Commissioners, we do not pass any assessments for diking.

Public Works Director Sypher-Diking assessment may change should the transfer occur. However what the Finance Director is telling him is the reason that it showed up as a larger expense recently was that previously the General Fund picked up a portion of that assessment.

Board Member Futcher-asked about the percentage for benefits for those 2 staff positions.

Finance Director Butterfield-We always budget that the person coming on as family of four. The amount would be substantially less if a single person came on, so we always give you the worst case scenario. Chairman Raiter asked about the difference in a single person versus a family of 4 for insurance? Finance Director responded about a \$1000 per month.

Chairman Raiter-From his viewpoint, there is no way to increase income other than erase and change the numbers. The only way to have a definite income is through the contributions of the partners and also feels it would be a little challenging for those who have convinced their colleagues to step up the support. Feels we need to look at expenses and the only way to do that would be to budget in delayed hiring at 6 months and we need to give staff direction.

Board Member Futcher-That gets us into 2014 and 2014 looks the same.

Board Member Weber-Agrees with Chairman Raiter, his colleagues are going to have sticker shock at \$60,000 much less \$75,000 or \$80,000. If there were some assurances that this was a means to a definite end when those subsidies can begin to disappear, that would be more of a selling point.

Board Member Futcher- People look at it like a business that is supposed to be making money and it is a piece of infrastructure that requires maintenance.

Board Member Weber-Does not have a problem for the infrastructure for acquiring grants to extend the runway, but the challenge we have is the operations are self-supporting. There ought to be a way to make it so that we can not subsidizing the operations. We are right now and the thing that concerns me is we have the Master Plan, but we don't have any way to get from here to there even with successful business recruitment or an active economical development. The whole thing is justified because it is an economic engine not an economic drain and not sure how to get there.

Chairman Raiter-Feels we need to have some experience behind this. With the independent Operating Board and new staff coming on, the enhancement and the efforts that have been made in the past have been somewhat hamstrung by the fact that the City of Kelso has been totally subsidizing the airport. Feels we need to get the operations to the point that it is self sufficient.

Board Member Futcher-Does not think it would ever get there to the point of self sufficient, would like it to be more self sufficient and more out at the airport, but feels that it will never be free. It will never be self sustaining in of itself, it will generate enough that you will be like "Hey this is worth spending money to keep it up", but it is always going to cost something,

Board Member Krehbiel-Thinks it is a good goal for it to be self sufficient but does not know that the true measure of success is whether it is self sufficient in the operations itself, we have to look at all the benefits and unless we truly know what all these benefits are, it will be hard to evaluate. Believes we want to make it as self sufficient as possible.

Board Member Futcher- had questions about the \$24,000 for weekend Airport Manager, is this a piece we are paying Mr. Wise right now? Also is the leasehold tax we pay for him is \$1,000?

Public Works Director Sypher-In my email you saw it was under budgeted and should be at \$24,600 at \$1,000 per month for weekend services and approximately \$1,000 per month for the new agreement that provided we would pay his leasehold tax for him. There are new items in his new contract that is not covered and the ones state are the tangible ones that we can put our arms around. Mr. Wise receives other considerations, total considerations including rents or equal value for rents for his square footage totals about \$31,500 from his new agreement. A lot of that is nebulous if you do not have a hangar rented. In this case is the leasehold tax that we have to pay and this represents the \$1,000 for the weekend services that he provides.

Finance Director Butterfield-We bill out those hangars. He receives the FBO building and a couple of hangars that we bill out and the airport pays it. Shows up as an expense and shows as a revenue, so that is what the \$1,000 a month is for. It is for 3 different building/hangars plus leasehold tax on one or two of them.

Don Bell-Don't know how malleable the FBO Lease is or what kind of changes are available to the Board, would like to suggest that we never had before 5 years ago, anybody responsible for the maintenance of the airport at any time and certainly not on the weekends, I would suggest to you the Board that this expense be skipped and would be appropriate. If there was an accident on the airport, if there is somebody around and usually there is, then they would do the appropriate things that are required by our emergency plan. They would essentially call 911 and possibly the commander of the accident scene will contact the FAA. Basically that is all that needs to be done, then as soon as the accident commander gives the okay to move the aircraft and the airport could be opened. Patrolling of the airport has been minimal or non-existent these last few years. Feels the \$24,000 could be better used elsewhere and an expense to be avoided.

Board Member Futcher-The point of putting that as weekend coverage we were told was that the FBO would not survive without the money that they were getting originally for airport management and that is why it is there.

Chairman Raiter-Without giving specifics to staff, asked the Board if they had and directions on what they might look at for asking them to leave the revenue the same and find areas in forecast expense to give us a tentative balance to look at for our next meeting.

Public Works Director Sypher-Had a few comments regarding his email. Reserve Fund-should be noted that this year's budget had scheduled to use \$98,000 of reserves and in essence we will be using \$0 reserves, which means that the full \$150,000 reserves should be intact for 2013. The Advisory Board that we were working with had decided that the Reserve Fund would be used for several purposes. One of the purposes was there are individual local matches that are required with grants and that would be an appropriate to use those reserve funds for these matches. If we take that amount out then the amount that we remain out of balance is \$30,000. We talked about how the airport could be more self-sustaining. In any given year, if we had full occupancy in our hangars for example, we would not be having or need this workshop now because we would balance.

Worst case scenario as Board Member Futcher pointed out there is an accumulation of annual maintenance that we have set aside \$60,000, if you cut back that maintenance until you get some of these other issues resolved, you could probably get by.

One of the other things is you have 4 entities and if what you are trying to do is make up \$30,000, of course you are not talking about a lot of extra money if that is what you wanted to do.

Chairman Raiter-has questions about process and timing. We have things that are up in the air, stressed that the County will start budget workshops in September, we can still wait to receive final budget until the cities and the port receive it as well. If we are in agreement at this point that we are going to do everything we can before we ask our partners to contribute any more money this year. We can still work with on this to get some other things tied down.

Public Works Director Sypher-explained the point of this workshop was so that we could at our next meeting adopt something to take back to the entities because at this time of year everybody is working on their budgets and they need to know these numbers. Chairman Raiter feels the Board can do that. Mr. Sypher feels as long as we can adopt something at our next meeting (Refers to Finance Director Butterfield) to see if this works. Timing wise this also allows City Attorney Parker to talk to all her contacts at the different entities to get this taken to the different boards.

City Attorney Parker-Just heard from the County and Kelso that the timing was okay, would like to hear from Longview and the Port as well, to see if that timeline would work for their boards. The agreement says we will have done it by the meeting. She is okay with delaying it if your jurisdictions are okay in delaying it. Board Member Krehbiel stated that timing was okay with the Port and Board Member Weber agreed as well for Longview.

Board Member Futcher-So we are taking \$60,000 back now and kind of agreeing that it will end up at \$60,000 regardless of what other changes we make?

6. **Public Comments-George Hext**-Asked the Board if there is any way possible that the contract with the current FBO can be abrogated or changed? Absolutely the worst contract he has ever seen. Not sure how the city ever let themselves get into this position. HE knows of at least two entities of which he is aware that would give you and honest bid on your FBO. If you looked at it, the amount that you are paying him is just about the amount you are short, if anything can be done to change that. Knows that the gentleman has an extension and hopes that is not under consideration.

Chairman Raiter-Thanked Mr. Hext for comment, but advised the Board would not comment as they are currently in negotiations on this contract.

Board went into Executive Session at 3:35 PM

Meeting adjourned at 5:00 PM



Becky Hill, Recording Secretary



George Raiter, Chairman